

HUNGARY
USAID SUPPORT TO THE
COUNCIL OF LOCAL
GOVERNMENT
ASSOCIATIONS
1995-1998

Prepared for



East European Regional Housing Sector Assistance Project
Project 180-0034
U.S. Agency for International Development, ENI/DG/LGUD
Contract No. EPE-C-00-95-001100-00, RFS No. 538

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June 1999
UI Project 06610-538

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1. BACKGROUND

1.1 *The Intent of the Report*

The purpose of this report is to prepare an analyses of the support USAID provided in the field of increasing the capabilities of the associations of local governments through the Council of Local Government Associations (CLGA) in Hungary during the period of May 1996 and September 1998. This activity aimed at USAID strategic objective 2.1.4.3 "Improved National Level Framework for Efficient Local Government".

The report is not a theoretical essay on municipal association development, it contains hands on experience of the Hungary Public Administration Project. In the report special focus is given to what lead to success and what the areas were where the course of action could have been different in order to be more efficient. In a few issues we also do the "What would have happened if...?" speculation. The overall intent is to make the "Hungary experience" a useful and practical legacy of the USAID efforts in the association building arena in Hungary, before the experience becomes an organic part of the development of Hungarian local governance, therefore it becomes impossible to identify the individual elements of the assistance. We trust that the analyses of USAID's association building activity in Hungary may help future efforts of this kind to repeat successes and avoid failures.

We also make an attempt to interpret the process of transition in Hungary from the viewpoint of local governments in order to assist others in Hungary or in the Central and Eastern European Region (CEE) to understand major trends and key issues in connection with the national associations of local governments. However, it needs to be understood that while the countries in CEE share the common goal, to establish a viable democratic system, each country is different in many ways therefore the path leading to the same goal may vary significantly, so the specifics of the individual countries need to be deeply considered while providing technical assistance.

This report also discusses the well-known dilemma of a donor organization: how to find the fine line between enhancing the abilities of the recipients of the technical assistance so that they achieve their goals, and still not taking over the decision making to be done by the counterparts, which can distort the end result, and can also alienate the recipient party from the goals.

1.2 The Approach to the Report

The report examines the legal environment in Hungary in which local governments and their associations have operated, the historical milestones of the development of national associations of local governments and their umbrella organization (CLGA), their efforts to become true representatives of local government interests, and how USAID supported them striving after their goals. Section 2.2 gives a status report of the association environment. This section corresponds to Section 4.1, in which the Reader will find another status report of the associations, but from years later, when the USAID assistance ended to have a basis for comparison. The same way Section 2.3 corresponds to Section 4.2 to give the same type of comparison of CLGA and the new, (not legal) successor organization of CLGA, the Partnership of Local Government Associations (PLGA).

The report is written from the perspective of seven months after the major part of the assistance (PAP) ended. This time allows us to distance ourselves from the project and become “the independent eye” who has the necessary knowledge of details to have a better understanding of what happened and why it happened.

The report interprets the milestones while continuously evaluates the background causes, and the driving forces under the surface. It also organizes the retrospective opinions of the project director, the assistant project director, and the recipient parties into a logical structure. Special focus is given to the lessons learned.

1.3 Public Administration Project—Hungary (November 1, 1995 to September 30, 1998)

USAID launched the Public Administration Project in the end of 1995. The project was designed to address priorities identified by USAID’s Country Strategy for Hungary and in the Local Government Strategy for Hungary. The efforts concentrated on local governments under 25,000 in population. The goals were to:

- Build citizen awareness and participation.
- Help develop and institutionalize training for elected local government officials.
- Assist in strengthening inter-local cooperation.
- Increase the capabilities of the associations of local governments to effectively represent local government interests and provide efficient and useful services to the members.



This report will discuss the area listed last above.

2. ASSOCIATIONS AND THEIR ENVIRONMENT IN 1995

2.1 *The Legal Environment*

If we wish to understand how the municipal system and, more particularly, municipal interest representation and protection functions in Hungary, we need to have a clear understanding of what is made possible by legislation. The first changes in the legal environment originate in the period preceding the transformation of the political system. The reason for this is that the municipal system was not created abruptly, even though it has its milestones, but was a result and an organic component of a longer process of social transformation and development.

Act I of 1971. The council was the unit of local public administration since 1950 up to the establishment of municipalities. This system of public representation, based on a Soviet model, went through significant changes in time and became rather fragmented when Act I of 1971 overhauled the “council act.” Although its concept and characteristics remained unchanged, evidenced by double subordination and party leadership, its tasks and structure seemed to acquire a more democratic character towards the end of the period. One example is the mandatory multiple nomination in the election of local representatives. It was a sign of the fragmentation of the political system that the lively social disputes concerning constitutional issues raised a need for democratization.

Acts regulating the freedom to meet and unite. The acts that regulated the freedom to meet and, even more relevant to our discussion, the freedom to unite, were the first signs of social transformation. Pursuant to the International Accord on Civil and Political Rights, Act II of 1989 regulated the freedom to unite in Hungary, thereby creating a generic concept for *social organizations*. Simultaneously, the institution of *associations* was included in the Civil Code which, together with *foundations* that were also included in the Code in 1987, *created the social conditions of civil organizations separate from political organizations*. Practically, even today, associations of local government operate on the basis of the freedom to unite.

Creation of the constitutional foundations of municipal regulations, and advocacy organizations (Amendment of the Constitution in 1989, Act XXXI. of 1989). Another significant but still pre-municipal event is the amendment of the constitution in 1989. It is typical of the process of social transformation that the preamble of Act XXXI. of 1989 that contains the amendment to the Constitution that *introduces institutions that profoundly transform the earlier system* declares that the stipulations of the act are provisional since the wording of the Constitution is determined only for the period before “Hungary’s new Constitution is approved.” These provisional

regulations have been in effect for ten years already, due to political problems surrounding the Constitutions that surfaced in the meantime.

Section IX of the Constitution replaces the councils of the past with *local governments* thereby creating the constitutional foundations of municipal regulation. It declares that voters have the right to local government for the purpose of the independent and democratic management of local public affairs and the exercise of local authority in the public interest.

Rights and responsibilities of local governments as they relate to municipal interest representation. The stipulation that declares the *equality of the basic rights of local governments* and eliminates their previous subordinate position comes close to a guarantee. Naturally, the Constitution allows for differences in the obligations of municipalities due to the actual differences between them.

The clause that determines the rights and responsibilities of local governments is an abrupt departure from previous legislative practice. In the past the Parliament passed around 4 to 6 acts a year, which meant that basic operational conditions were regulated by lower level laws that are more discretionary in nature. The Constitution, now, requires the regulation of local government rights and responsibilities by acts.

This constitutional guarantee is an important reference point for associations that represent municipal interests in the face of current governmental initiatives that wish to delegate a growing number of responsibilities to the competence of local governments by way of “stealth legislation.” In addition, we have to mention the constitutional regulation that allocates an appropriate amount of state support for the completion of these tasks. Unfortunately, the two constitutional regulations are only partially implemented.

With respect to the legal framework of local government we have to mention that voters exercise local public authority and manage local public affairs directly through referenda and public hearings, and indirectly through the body of representatives consisting of the representatives elected by them.

Section 44/A of the Constitution regulates the basic rights of the local body of representatives. Two items should be discussed here for the purposes of municipal interest representation.

The right to submit proposals is based on Section 44/A (g) which allows the body of local representatives to submit an initiative to the relevant authority in matters of interest to the local community. We will discuss this basic right in further detail in connection with the Act on Local Governments.



Subsection (h) of the same section declares that the local representative body “*may establish a municipal association for the representation of its interests* and may cooperate with the local governments of other countries in matters within its scope of responsibilities, and furthermore may become a member of international municipal organizations.”

By interpreting the above quote we realize that the legislative intent is equally directed at the presentation, protection and representation of municipal interests that can be realized through an association of local governments for interest representation. There is no constitutional limitation with regard to the character of the association of local governments for the representation of common interests. Therefore, local governments received the authorization to establish such associations both on the level of smaller or larger regions or on the national level. As a result, theoretically an unlimited number of associations may be established by local governments.

The protection of local government authority. Regulations prohibiting the removal of scopes of local government authority are also vastly different from earlier practice. The Constitution guarantees court protection for the lawful practice of local government authority, i.e., local governments may appeal to the newly established Constitutional Court in order to protect their rights. The practice of the Constitutional Court shows that there is a significant number of actions brought by municipalities which result in decisions of national importance, for example the decision of the Constitutional Court regarding energy privatization.

The regulations of the Constitution went into effect on October 23, 1989, at the time when Hungary’s form of government changed into a republic. Naturally, not all the regulations of the Constitution went into effect immediately. The regulation concerning local governments was one of them, due to the fact that a fairly long preparatory process was required. In the spring of 1990 the democratically elected parliament faced the immense task of completing the country’s political transformation. A component of this task was the replacement of the council system with the municipal system.

Local governance in practice: Act LXV of 1990 on local governments. By meeting its constitutional obligations the Parliament passed Act LXV of 1990 on local governments (hereinafter referred to as “Local Government Act”) that went into effect on September 30, 1990 simultaneously with the first municipal elections.

The Local Government Act was the object of lively and sometimes exaggerated professional and political discussions. When the foundations of the local government system were laid professionals attempted to take into consideration Hungarian historical traditions that characterized local government prior to 1949 as well as the experience of European nations and political expectations. Since the Local Government Act is considered to be an act of key importance, it can only be passed by a two third majority of the parliamentary representatives present, pursuant to section 44/C of the

Constitution. In light of the result of the parliamentary elections in 1990 it was obvious that the Local Government Act could only be created through a compromise.

As a result, the act passed by the parliament contained regulations that later caused operational problems which have been very difficult to amend since then, precisely because it is an act of key importance.

The Local Government Act defines the concept of public affairs as follows: "local public affairs are connected to the provision of public services to the population, the local practice of public municipal authority, and the creation of the organizational, personal and financial conditions of the above." When discussing basic local government rights the Local Government Act repeats, with minor modification, those listed in the Constitution. Therefore, pursuant to section 1 subsection (6) (c) of the Local Government Act, *municipalities have the right to establish regional or national organizations to represent and protect municipal interests*. Municipalities may exercise these rights lawfully, however, it is not clear whether the lawmaker had the Local Government Act or any other act (i.e., Act II. of 1989) in mind.

Local governments are granted a broad scope of authority and responsibilities for the practice of local public affairs. The specific list of local government responsibilities are contained in section 8 (1) of the Local Government Act while subsection (4) contains basic mandatory tasks that have to be performed by each local government. We can establish that the almost endless list of responsibilities far surpasses the financial resources of local governments, not to mention responsibilities that can be assumed on a voluntary basis.

Section 10 of the Local Government Act regulates the non-transferable responsibilities of the body of representatives. Its subsection (e) contains guidance relating to joining organizations for the representation of interests. Naturally, only a body of representatives or their association can establish an organization for the representation of municipal interests, although the manner in which it may be accomplished has not yet been defined.

There are rather few specific rules in the Local Government Act that apply to local government rights to represent and protect their interest and those few are insufficiently explained and detailed.

As a matter of principle we want to state that if a local government is granted a particular right by the law, the right can be practiced by the association of local governments as well on the level of interest representation. This interpretation of the *collective practice of rights clarifies the competence of associations in the representation of interests*. We believe that in such cases competence is transferred "upwards", i.e., local governments voluntarily limit their rights in order to present their claims more effectively by delegating their authority to their associations. It is a delicate



issue of legal theory that while local governments are grounded in public law and as such have a share in the distribution of authority, their associations are social organizations under the scope of private law and as such cannot acquire public authority. A partial resolution of the issue might be the fact that the Constitution and the Local Government Act grant the right to local governments to establish organizations for the protection of their interests and therefore grant the associations a quasi public law status.

Let us now proceed to the specific rules of the Local Government Act relating to the municipalities' representation of interests.

Prior to the discussion, however, we need to mention the weakest component of interest representation consisting of two parts. One is the *right to "speak out"* stipulated in section 2, subsection (3) of the Local Government Act, the other is the *right to submit a proposal* discussed in more detail in section 101.

The first right is practically unlimited since it provides the local government the right to express an opinion and launch an initiative in connection with any issue that relates to the local community. It is conceptually impossible to deny them this right if only we look at section 61 (1) of the Constitution in which the freedom to express opinions is interpreted as an individual freedom. The rule that the *competent authority shall give an appropriate response to such an inquiry* within the deadline stipulated by law appears to be a guarantee. However, the guarantee is not real because the Local Government Act does not provide direction as to what happens if the competent authority fails to give a response. Also, there is no specific definition of the "deadline specified by law" and therefore it can be very loosely interpreted. Which law do they have in mind? Is it the generally accepted deadline of state management procedures or of the rules relating to complaints and public interest announcements, or the 30 day deadline specified in section 101 (2) of the Local Government Act? Experience shows that the "flexible" practice of this right depends mostly on the political and economic power of the local government posing the question, making a comment or launching an initiative, rather than on the laws.

The other is the right to submit proposals, which is a stricter and more clearly defined right. It means that *the body of representatives*, and not the more generically defined local government as discussed above, *may approach the director of the competent state organization* in connection with local government rights or any other issues relating to the responsibilities or competence of the local government, and may do the following:

- Request information
- Make a proposal and initiate an action
- Express an opinion regarding the state organization, make a complaint about it and initiate the amendment or reversal of the legal action criticized.

In addition to individual local governments their *specific interest representation organizations also have these fairly broadly defined rights*. Municipal associations have initiated the amendment of several laws on the basis of this authorization although, frankly, not as many times as they could have. One of the reasons for this might be that this rule has no sanction attached to it either, that is, there are no consequences if the approached authority does not give a response.

An important and specific right is mentioned in the form of a minor comment in section 94 (4) of the Local Government Act which *stipulates the obligation to negotiate with, and to take into consideration the opinion of associations of local governments prior to the parliament's budgetary decisions*. If we attempt to interpret the law, we see that, even though the subject is generic, it can become very specific, pursuant to the act on lawmaking. This means that the law applies at least to the entity submitting the proposal and, more specifically, to the organization preparing the submission, proposal or draft (ministries, the organization first accepting then transmitting the submission /government/ and the organization discussing it and making a relevant decision /parliamentary committees, parliament/). Taken to the extreme this might mean that a decision of the parliament brought without consulting municipal interest protection associations is unlawful.

The clause "taking their opinion into consideration" deserves special attention. This means no more than *the opinion cannot be disregarded* when a decision is made, i.e., it must be discussed. However, the discussion may be inconclusive, therefore, the minimal and practical requirement is that a reason must be given for disregarding the opinion of municipal associations.

The Local Government Act discusses the budgetary decisions of the parliament in general, without specifying the nature of the decisions. From a practical point of view this includes primarily the budget act and its amendments and the final accounts including the acceptance of the relevant reports made by the State Audit Office. A parliamentary decision may be an act or a parliamentary resolution. However, this regulation cannot be limited to the budget act only, since it can be extended to include all parliamentary decisions that have a bearing on the budget and therefore on municipalities.

Another issue of law interpretation is whether the obligation should apply to lower level legislation as well if it also applies to higher level laws (decisions). This is both formally and logically consistent with the above and fully complies with the standards of lawmaking.

The most unequivocal rule on local government interest representation is contained in section 102 of the Local Government Act entitled "the interest representation of local government."



The first paragraph of the legal position, which can be divided into two parts on the basis of its contents, discusses municipal interest representation in general, the possibility of which is included, as mentioned above, both in the Constitution and the Local Government Act. The second paragraph specifies the rights of national associations for the representation of local government interests.

General local government interest representation includes the collective:

- Representation
- Protection
- Promotion, of municipal rights and interests
- The development of local government operations

In order to reach the above goals local governments may establish an organization to represent their interests choosing from a wide array of organizational and operational alternatives, as discussed above.

Lawmakers allocate a qualitatively different function to national organizations representing local government interests when they grant them the right to express their opinion in connection with the drafts of laws and other government decisions that are relevant to municipalities.

The right to express an opinion can only be realized if the national municipal associations obtain information about government decisions and law preparation. This implies the obligation to provide information.

Amendment of Act of 1990 further specifies interest representation. Lawmakers realized this when the Local Government Act was amended in 1994. This stipulation was modified as follows: *“the national municipal organizations for interest representation shall be consulted...”*

The second clause of the paragraph provides a guarantee inasmuch as it specifies an obligation for decision makers to be informed on the standpoint of municipal interest representation.

It is interesting to examine the ministerial explanation in connection with the quoted legal passage which, however, was never implemented. Pursuant to the explanation the opinion of the organization for the representation of interests does not bind the lawmaking organization, but the organization authorized to issue the law shall explain the reason for disregarding the opinion of the organization for the representation of interests and notify the organization of this. Why this practice is ignored is the subject of permanent disputes between municipal organizations and lawmakers. However, it is understandable to a certain extent since in the transitory period during the

transformation of the political system lawmakers were forced to generate many laws under pressure to provide regulations, so much so that finer details like this were ignored due to the lack of time. However, we should contemplate whether the mechanism of interest representation and protection should be defined on the legislative level or in the form of an agreement, as legal institutions improve.

2.2 The National Associations of Local Governments in Hungary—End of 1995

At the beginning of USAID technical assistance to strengthen local government interest representation there were already seven national associations of local governments established in Hungary. It was a historical given, which has had its significant impact on the endeavors to find a way for efficient advocacy for local government interests, which was the major goal of the USAID support.

The national associations sprang up right after the necessary changes in the legislation had been introduced (Section 2.1). This way the year of 1991 is considered a milestone regarding the development of local government interest representation.

All associations of local governments are social organizations with registered legal entities.

The legislation allowed for the establishment of national associations of local governments without specifying what criteria an association had to meet in order to qualify as a national association. The lack of regulations resulted in some associations that were named national but in nature remained regional.

Features of the National Associations

Types of associations. The associations were established alongside different theories and practices. Five associations were formed to invite the same types of municipalities. These are the "clear profile associations". The other two associations called for villages, cities and also for counties to join as members. These are the "mixed profile associations".

Clear profile (horizontal) associations:

- National Association of County Local Governments/MÖOSZ
- National Association of Small City Local Governments/KÖÖÉSZ
- Association of Cities with County Rights/MJVSZ



- Hungarian Village Association/FSZ
- Association of Large Village Local Governments/KÖSZ

Mixed profile (vertical) associations:

- Association of Hungarian Local Governments/MÖSZ
- National Association of Hungarian Local Authorities/TÖÖSZ

The member municipalities of the associations showed a great deal of versatility in the scope of tasks and authorities, economic potential and organizational opportunities. Later, in many cases these basic differences prevented the associations from supporting a joint position in legislative issues before the central government.

Organizational Structure. The organizational structure of the associations differed in each case, and does so even today. The competencies of the general assembly, the executive body reporting to the general assembly largely varies. It is the president, who leads the association with co-presidents or managing chairmen. The main operative body is usually the board or presidium. The general assemblies are summoned twice a year. The operative bodies make most of the decisions. The administrative work is carried out by secretariats, which is headed by executive directors, heads of secretariat, or in one case by a general secretary. For additional support there is administrative staff, normally one assistant (except for TÖÖSZ, where the staff is significantly larger), and an assistant to the president in certain cases. Each organization has a controlling or supervising committee. They all have standing or ad hoc committees. KÖSZ has county based sections.

Finances and budget. The level of financial capabilities of the associations is very different but there were/are some basic features that they all share. Local government associations do not receive support from the central budget. Their main budgetary resource has been membership dues. It is collected on a per capita basis. Few associations receive other grants, but they constitute no more than 21 percent in any case. Revenues from publications are scarce.

In 1995 the national associations had had a history of 4 years. By 1995 it was understood how associations ranked based on financial capabilities. It was the oldest association, TÖÖSZ that managed the largest budget (about HUF 40 M = USD 190,000). MJVSZ (Cities with County Rights) (HUF 15 M = USD 71,500) and MÖÖSZ (Counties) (HUF 10,000 = USD 48,000) came closest in this respect.

A significant step down could be observed at KÖÖÉSZ (Small Cities) (HUF 7 M = USD 33,400), the other vertical association, MÖSZ (HUF 6 M = USD 28,500), and KÖSZ (Large Villages) (HUF 4 M = USD 19,000). Their budget was about 1/8 of the largest budget. The smallest budget was managed by the village association, about 1/40 of the largest budget (HUF 1 M = USD 4,700).

Service Delivery. The level of service delivery was also different among the seven associations.

Advocacy. All associations attempted to make an impact on the legislation. Below we will list some of the major features of local government advocacy in Hungary around 1995:

- *Lack of cooperation:* The advocacy service was inefficient due to the lack of efficient cooperation among the associations. The financially more capable associations (MJVSZ, MÖOSZ, TÖOSZ) were able to have paid experts therefore be more effective in representing the interests of their membership and were more able to lobby through their own connections within the Parliament and political parties.
- *Re-active approach:* A typical feature of advocacy for local government interests by municipal associations was the re-active approach. The associations normally received the draft of laws 14 (or some time less) days before the Parliamentary debate started. It left neither sufficient time for them to prepare a comprehensive response nor the ability to make an impact on the version that was finally submitted to Parliament. This procedure maximally jeopardized the effectiveness of their advocacy work.
- *Lack of sufficient data:* Associations did not have hard, reliable data about local governments that could have been used for advocating purposes. Without this resource it was very difficult to support the recommended legislative changes, since they were not in the position to produce impact analyses of different solutions of an issue.
- *Lack of the “bottom up” approach:* The association did not have experience in soliciting for membership opinion in legislative or other issues. On the average, two general assemblies were held a year, when the main tasks and strategies were decided upon. These occasions were not sufficient to keep regular contacts with the membership and be supported by a mass of local governments when entering negotiations and interest reconciliation forums with the central government.
- *Central government initiated process:* The involvement of local government associations was stipulated by law (Section 2.1) Right after the political changes the central government initiated a reconciliation meeting with the associations in order to understand the competencies of the different local government associations, which could give a basis to create the necessary mechanism of cooperation between the central and local governments. As a



result a draft document was prepared that defined how often this forum should meet, what the scope of work and responsibilities should be. Unfortunately it never became an operational forum. Instead of a concentrated local government interest reconciliation system with the central government, the system of sectoral interest reconciliation within the sectoral ministries started to shape up, and is in place up to the current days. Some examples of the interest representation mechanisms are the Interest Reconciliation Council of Publicly Financed Institutions, Interest Reconciliation Forum of Public Servants, Sectoral Interest Reconciliation Council of Education and Culture. The representatives of the seven national associations were an integral part of these institutions.

Member services:

- *Publications:* Two associations (MÖOSZ, TÖOSZ) started their own magazines. The smallest ones had ad hoc publications in connection with timely issues of key importance. Few handbooks were prepared and distributed among local governments.
- *Electronic data base:* MÖOSZ, KÖOÉSZ, MJVSZ, MÖSZ set up separate electronic databases. The information these non-interactive systems contained allowed members to compare budgets but overall the information was more of a touristic description of the members than hard data to be used for advocating purposes.
- *Legal, financial, management advisory services:* All associations provided the service of legal interpretation and advise, some did it over the phone as well—"hot line" service at TÖOSZ. The other two areas did not receive significant attention.
- *Providing on-site assistance by experts:* This area of service was not well developed due to the lack of paid expert, advisors.
- *Training:* Sporadic training sessions were organized by private training providers but a systematic training opportunity was not available for local government officials. With the political changes in 1990, the centrally organized further training courses were terminated and the vacuum that was left after that was still prevailing in 1995.

International relations. The change of the legal environment opened up the self-contained world of the past for municipalities in the field of international relations. Today municipalities and their associations can freely and directly establish connections with foreign local governments and municipal organizations. In the early stages the only

impediment to the realization of this right was the limited access to foreign currencies. When this impediment was removed, the establishment or rekindling of bilateral or multilateral international relations was boosted on a larger than ever scale. This possibility has contributed to the fact that the representatives of Hungarian municipalities are not unfamiliar to other countries at the threshold of Hungary's accession to the EU.

All the associations were/are involved in bilateral or multi-lateral relations, which manifest in joint conferences, training courses, study tours, projects designed and carried out jointly with the partner international organizations.

Internal and external communication. Three associations (MÖOSZ, TÖOSZ, MJVSZ) had well operating internal communication channels. Some associations did not have access to computerized communication, which hindered the information flow among the members.

All associations considered it an important task to communicate to the media at the central, regional and local level. The associations were learning through experience how to establish good media relationship. It was a clearly set goal of all the associations.

Rate of participation. The difference in the rate of participation was also significant. By rate of participation we refer to the ratio between the local governments who are potential member to a certain organization and the actual number of membership.

There were/are two organizations which have a 100 percent participation rate. MJVSZ—there are 22 cities with county rights in Hungary, the association has 22 members. MÖOSZ has 19 members, and the number of counties is 19 in Hungary. The total number of members in the seven associations at the end of 1995 was about 1800 out of 3200, which is about a 56 percent ratio.

Political party affiliations. Another feature of the association scenario was the influence of political parties. Though all associations declared in their bylaws that they were non-partisan, since the purpose of their existence was to represent and protect local government interests, it has still been possible to identify the partisan political interests in the activities of their management. Some associations were established by recognized support from political parties.

However, we have to differentiate between the political leadership and the membership in this issue. Political infiltration is stronger at the leadership level, but analyzing the attitude of membership towards politics, the picture is not all that clear. The political affiliation disappears, or loses significance and it is also more versatile.



Among the members we find members of all parties and an increasing number of independent mayors representing their cities in the associations.

This is very much true to say after the last local elections, which took place in October 1998. Two associations need to be mentioned separately in this issue. One is The Association of County Local Governments. It is likely to be the nature of the counties that they remain loyal to central government independently from what political party governs the country. In the past counties were the administrative regional units of the central government therefore they were absolutely loyal to the state. Even after the political changes in 1990 the majority of the county decision making bodies have been supportive of the governing parties. Counties seem to change their political profile in harmony with the change of the central government.

The other one is the Association of Cities with County Rights. Their governing party coloring is not as obvious as at the county association but the number of the mayors affiliated with the governing party(ies) increases at the local elections.

These facts lead us to the conclusion that county associations tend to remain loyal to the central government as opposed to have a steady affiliation with a certain political party, and the political infiltration is significant at associations of larger cities.

Impact on the level of civic culture. At this stage the associations put most emphasis on advocacy before the central government therefore there was little connection to minority local governments or other social/civil organizations, like NGO-s, task oriented associations or ad hoc associations. Little conscious effort was made to create a "local government friendly environment".

The main relationships were established with central government agencies, e.g., parliamentary party sections, parliamentary committees (of local governments, constitutional law, etc.), Hungarian Chamber of Public Administration, the Institute of Public Administration, etc.

2.3(a) Efforts by the Associations Towards a Cooperating Partnership

After the famous year of 1991 that saw the establishment of all currently existing national associations of local government in addition to serving their membership, a new and difficult task arose for the new associations: to define their relationship to each other. 1991 and 1992 showed a great deal of conflicts among the associations and it took time and effort to form normal working relations. However, from the end of 1991 the desire for cooperation was declared at least by the political leadership of the associations and the local governments themselves demanded to enforce collective rights, which started to strengthen the need of cooperation among the municipal associations.

After hard and thorough preparatory work by the seven associations, the draft documents of a new organization were ready. At the final negotiations the issue of proportionate representation in the general assembly grew into the core conflict, which the seven associations were unable to solve. This way the first serious attempt for unification ended in a failure.

The period between 1992 and 1995 can be called the era of consolidated ad hoc cooperation. The presidents met on an incidental schedule, no institutional framework existed.

The need to establish institutional framework for the cooperation gained strength after the amendment to the Act of 1990 on local governments. This way in 1995 a new attempt was made to create a more efficient way for local interest representation. The question remained, i.e., what organizational structure the new entity should create? The options were unchanged:

- Unified association
- Unified association with chambers
- Association of associations

After fierce debates for over a year an association of associations was established on January 26, 1996.

2.3(b) The Council of Local Government Associations (CLGA)

CLGA existed from January 26, 1996 to January 31, 1999. The reasons of its termination are incorporated in the next section, and discussed in connection with the USAID assistance. Here we refer only to a few major causes without striving for completeness:

- Lack of trust among the associations
- Lack of dedication to establish a unified association by some associations
- Organizational problems
- Difficulties with the internal communication flow
- Consensus as the only decision making mechanism—ultimately preventing CLGA from carrying out any activities
- Lack of a dedicated administrative/executive director
- Unstable finances

Mission. The mission of CLGA was to become a true voice of local governments in Hungary. The bylaws said that the ultimate goal was to explore the options of how to become a unified association with chambers for the different types of municipalities. As a deadline, December 31, 1998, the end of the local government



cycle was set. The bylaws also contained that if this ultimate goal was not possible then the seven associations would have to make a decision about the future of CLGA.

Membership. It was the seven national associations of local governments. CLGA was a coordinating body for the members leaving the autonomy of the member associations intact.

Organizational structure. It was governed by the *Council of Associations* composed of the presidents of each of the seven associations, or their designee. It was the major decision-making, supervising and interest representing body. It summoned at least once a month. Its scope of responsibilities included preparing official positions of local governments on draft legislation, laws, government regulations, delegation to national interest reconciliation forums, maintaining international relationships, etc.

The *Audit Committee* was responsible for the financial management of CLGA, and from time to time there were temporary committees established to fulfill specific tasks.

The leadership was vested in the president. This position was occupied on a rotating basis by the presidents of the member associations, with the term of one year. The president was helped with two co-presidents, who were presidents of two more member associations. All these positions were elected by the Council of Associations.

The Secretariat performed the administrative functions of CLGA. The Secretariat had two full time employees, the Head of Secretariat (executive director) and an Office Manager, and hired temporary help on an as needed basis. Its tasks consisted of the preparation of the decision making by the Council of Associations, keeping up internal and external communication of CLGA, carry out the administrative tasks of the financial management of CLGA. There was no separate staff to manage finances, it was delegated to the Head of Secretariat who reported directly to the president and his controlling body was the Audit Committee. This mechanism later allowed for dismissing rules and regulations, the Audit Committee did not carry out systematic audits, which also contributed to the disastrous financial status of CLGA towards the end of its term defined in the bylaws.

The Office of International Relations with a director and an assistant was a separate unit within CLGA, reporting directly to the Council of Associations. It was an unusual administrative arrangement, which recognized the importance attached to international activities but also created some tension among the administrative staff.

Decision-making mechanism. Given the determination of the member associations to maintain full autonomy within CLGA, they introduced the “consensus rule” as the only decision-making mechanism for the Council of Associations. If consensus could not be reached through negotiations CLGA did not have an official

position in the issue, and the individual members were allowed to take their own position in any forum. This consensus requirement became a hindrance to CLGA taking decisions on important policy issues facing local governments, furthermore the veto right of any member association deriving from the consensus rule ultimately prevented CLGA from taking any kind of action in the last 6 months of its existence.

Finances and budget. The annual budget showed several weaknesses. Project budgets and operating budget were not separated.

Resources: The core resources did not provide for the operating expenses by any means. More than 80 percent of the budget was derived from “other resources”, mostly grant funds from international organizations or occasionally from the central government, therefore they were completely unpredictable by which the chances to make strategic plans for activities were eliminated. The Head of Secretariat spent more time on “hunting” for new grants than fulfilling the designated tasks. Membership dues consisted about 11 percent of the annual budget.

Expenditure: Over 40 percent was spent on staff salaries and advisor fees, about 25 percent on general administration and member services. About 35 percent was expended on special projects.

Services. Advocacy before central government was the major area. An electronic information system was designed and implemented through the Internet. Conferences were organized for the membership. Annually they held a “local government day” where mayors could meet high level politicians from the government.

Extensive international relationships. CLGA cooperated with Associations from Finland, Switzerland, the Netherlands, was a member at CEMR, Council of Europe, carried out projects in cooperation with the British Know-How Fund and USAID/ICMA.

2.4 Milestones Regarding National Associations of Local Governments and CLGA

Associations Before CLGA Is Established

- Establishment of the seven national associations – 1989-1991
- Political state secretary of the Ministry of Interior invites to the Parliament the leadership of the national municipal associations to produce an outline for future coordination with the central government



- Establishment of sectoral interest reconciliation institutions for local governments to negotiate with the central government agencies, e.g., Interest Reconciliation Council of Central Budget Financed Institutions, Interest Reconciliation Forum of Public Servants, Interest Reconciliation Council of the Education Sector
- First discussions of the national associations to coordinate in an institutional framework – 1991-1992
- Failure of the national associations to establish a unified organization – 1992
- Parliamentary elections – May 1994: a socialist government is formed in coalition with the Free Democrats
- Local elections – October 1994
- Failure of the second concrete effort to establish a unified organization – September, 1995
- Establishment of the Council of Local Government Associations, “the Hosszúhetény agreement”—January 26, 1996—First president is nominated by KÖÖÉSZ, elected by CLGA

The Period of CLGA/USAID Cooperation

- MOU – May 1996
- Study tour to the U.S. – October 1996: 10 high level public administration officials of the central level and five high-level local government representatives, presidents of national associations of local governments participated.
- New president is elected to CLGA on the annual rotary basis (a member of MÖSZ) – January 1997
- Comprehensive analyses of association environment and action plan for USAID by Mr. Robert Maffin – June 1997
- Long-term resident advisor, Mr. Tim Honey on board – August 1997

- First attempt to design the detailed projects with CLGA presentation of the Implementation Plan—Kecskemét, late August 1997, no agreement
- Agreement about the implementation of 6 specific projects, September, 1997
- Training on negotiation techniques and building consensus for CLGA political and executive leadership—Solt, December 11-12, 1997
- Project on EU integration and local governments—opening assembly, January 26, 1998
- New president elected by CLGA in accordance with the rotating nature of the position stipulated in the bylaws
- Attempt to define the future of the Council, facilitated negotiating process/I—Pécs retreat, February 1998
- Retreat on the future of the Council, facilitated negotiating process/II—Pallas Páholy, Budapest, March, 1998
- Study tour to the US, March 28 – April 2, 1998: the political leadership and executive directors of the member associations and CLGA visited municipal associations in Virginia and Maine to learn how an efficient and effective organization operates, what services are provided to the membership, how to create pro-active advocacy agenda, what the bottom up approach means, etc.
- Retreat on the future of Council, facilitated negotiating process/III—Royal Castle, Budapest, April, 1998
- CLGA meeting—Mátraszentimre, June 18, 1998: decision made to break away from TÖÖSZ
- SNDP opening conference – June 30, 1998: presentation by the president of CLGA about priorities of local governments in the local government finance—part of the project to enhance the advocating capacities of CLGA
- Sofia conference on economic development – July 1998: the decision by 6 member associations to form a new organization in order to eliminate the destructive efforts of the largest association is shaping up



- Two surveys on local governments – August, 1998: the purpose of the surveys is to solicit local government opinion about priorities and design the new organization (Partnership of Local Government Associations) to serve the needs of local government
- “Jászberény Agreement” – September, 1998: the political leadership of MJVSZ, MFSZ, KÖSZ, KÖÖÉSZ, MÖÖSZ, MÖSZ signs a Memorandum of Understanding about the establishment of the new Partnership
- Parliamentary elections, May 1998: a new government is formed by the Young Democratic Party in coalitions with the Small Holders’ Party
- Local elections, October 1998: the leadership of MJVSZ and MÖÖSZ changes to a majority of representatives of the governing party
- Meeting of 6 associations – November, 1998: the first meeting of “the six” after the local elections; MJVSZ and MÖÖSZ has new political leadership so the idea of the new Partnership is being renegotiated
- Meeting of CLGA – December 15, 1998: debate about how the assets of CLGA should be divided after it is dissolved, and also if the Partnership can be a legal successor to CLGA
- Meeting of CLGA – December 30^t 1998: CLGA is extended one more month to explore if there is common ground to involve all seven associations in some form of future cooperation
- Meeting of CLGA – January 30, 1999: CLGA is terminated, options are presented for future cooperation
- Meeting of seven associations – February 22, 1999: discussion about two options:
 - Lose cooperation without an institution
 - Umbrella organization
- TV discussion about the goals of the national associations of local governments – March 27, 1999: provides publicity to the issue of local government interest representation

- Meeting of seven associations – March 30, 1999: MJVSZ, MFSZ, KÖSZ, KÖÖÉSZ, MÖÖSZ votes for the establishment of the new Partnership. TÖÖSZ and MÖSZ choose to go separately

3. THE COOPERATION OF USAID AND THE COUNCIL OF LOCAL GOVERNMENT ASSOCIATIONS (CLGA)

3.1 *Phase I (May 1996 – August 1997)*

The Memorandum of Understanding, May 1996

In order to improve the national level framework for efficient local government in addition to other areas of local governance USAID/ICMA started to explore opportunities of cooperation with associations, and then with their coordinating institution, CLGA. USAID showed a great deal of *flexibility* by immediately responding to the establishment of CLGA, the nation-wide local government interest representing organization. The original scope of work of PAP named the largest association, TÖÖSZ as the counterpart for PAP, and the training component of the project actually involved this association but by the time the association development project was designed CLGA became reality and the negotiations started with the president of the umbrella organization, a result of which was an MOU signed between CLGA and USAID/ICMA.

The MOU stated that the “underlying goal of their [cooperating parties] mutual cooperation is as follows: To develop a strong, self-sustaining association which is recognized as the voice of local government in Hungary.” The specifications named three major areas of cooperation:

- Strong, effective advocacy program
- Member services
- Capacity development

From our retrospect some comments are necessary to make here. ICMA was following the protocol during the negotiations, talked to the president. The interviews about the USAID/CLGA cooperation that were conducted by the author for the purpose of our report with six of the seven national associations (MÖSZ was not available to meet) supported the suspicion that the discussions preparing the MOU remained within a limited circle of CLGA. The member associations had a general understanding of the goals of cooperation but had poor information about the details.

USAID/ICMA assumed that the information flow, communication within CLGA worked at the level at which associations of this kind communicate. However, CLGA was in its “embryonic stage”. It would have been beneficial to extend the circle USAID



talked to, so that a more comprehensive understanding could have been typical when the actual program design started with the member associations. A more extensive communication loop could have saved time later when the details of cooperation were spelled out.

Lessons Learned. When dealing with a very young organization, completely unfamiliar to the donor, try to involve as many “shareholders” (here: member associations) in the discussions from the VERY beginning as possible. Do not assume that the recipient organization operates according to the usual rules of operation and procedures. Apply the approach of healthy suspicion. (Here, ICMA assumed that if talking to the president we were talking to all the member associations—there was limited communication among the member associations.)

Study Tour to the USA, October 1996

Ten ministry officials, public administration state secretaries and their deputies, the commissioner for public administration reform within the Prime Minister’s Office (PMO), and senior advisor to the Prime Minister constituted the study tour group with five high level representatives from the local level. The participants from the local level were elected and executive leadership of the national associations of local governments.

In addition to the purpose of collecting knowledge the study tour was designed to foster good working relationship between the central and local level officials of public administration. This concept worked extremely well. Two weeks spent away from the regular environment, being exposed to an unknown country with its different culture, customs, opened up a new perspective for the participants about one another, which laid the background for a more collegial, friendlier working relationship after the group returned to homeland. The time spent outside of the classrooms gave wonderful opportunities for these officials to discuss the timely issues of Hungarian public administration reform, (Note: the planned reform called Reinvention of Government, borrowed a lot from the US process. The concept was prepared, approved by the Hungarian Government (GOH), but never implemented. It was “gone in the wind” when the central government changed at the elections) and other relevant issues in connection with local government, finance and division of tasks and responsibilities between the central government and local governments, just to mention the two top priorities of the times.

At the interviews with the association representatives they all reinforced that this study tour helped them in two ways:

- They could learn about new methods, and also experience them. The top list (the most useful areas observed at the study tour) contains citizen participation, environmental protection—Chesapeake Bay Program—system

of social benefits, housing programs and training offered by municipal associations.

- They learned about each others positions in Hungarian professional-political questions through casual interaction. Or as one of the participants said: “a casual but effective way to lobby for local government interests”.

One comment needs to be made here from the donor’s perspective. The study tour at this early stage of the project was beneficial for later activities. It provided platform for the key players of Hungarian public administration both at central and local level to learn about the Hungary project as well. It also helped to develop this initial working relationship into regular, meaningful contacts. After the tour ICMA project director and the assistant project director together with the USAID official in charge paid regular visits to the Public Administration State Secretary of the Ministry of Interior, and the Commissioner for Public Administration Reform. Even though the focus of PAP was by no means assistance to the central level, these visits ensured the positive attitude of the central level towards activities of PAP. This good relationship helped the local government officials to meet with the relevant central government representatives.

Lessons Learned. Study tours are expensive tools of technical assistance projects but work extremely well, if the assistance is targeted in a politically sensitive area, like in our case development of advocating capacity, because they create an environment where trust prevails. This unusual circumstance helps participants to achieve more than learning best practices, well functioning systems, etc.

The program of the tour has to be designed very carefully. ICMA did a great job in this area. After analyzing the needs of the group, individual needs were also built into the program (meeting with high level officials at the Vice-President’s Office to discuss the issue of “Reinventing Government” or meeting with the National Print House to find out about the system).

Post study tour activities: this area proved to be the hardest to keep up. The plan to launch the “Club of 15”, which meant to be an informal forum for the central and local level officials to keep up the dialogue which was started at the tour met difficulties. Reasons? After returning to the regular working environment to undertake another monthly meeting was impossible for these people, due to their very tight agenda. Looking back we also think that the goal setting of the post study tour activity was over ambitious. The idea of keeping the group together was great, but given the nature of the group—the national leaders of Hungarian public administration—now we think that the achievable goal was what really happened: the participants met on an “ad hoc” basis, but communicated with one another and with PAP regularly and the reform plan of Hungarian public administration drew from the US experience through the commissioner who tested his understanding about the US concept at the study tour.



Assessment and Recommendations for PAP Strategic Plan of Association Development (June 1997 – August 1997)

“The Council Of Local Government Associations: An Assessment.” In June 1997 a short-term advisor, Mr. Robert Maffin was brought to Budapest for two weeks, to prepare an assessment on the seven national associations and their Council (CLGA), and recommend possible strategic options to USAID/ICMA to proceed with the association development project. Mr. Maffin conducted the necessary research work, and the draft strategy-options were submitted to USAID/ICMA shortly after the trip. In this section we give a succinct summary of the findings and recommendations.

The report identifies the strengths and weaknesses of CLGA, and its mission, goals, available funds and capacity. Based on these facts, the report lays out four options for local governments for the reform of the local interest representation structure, and another four strategy-options for USAID/ICMA to support CLGA. These are as follows:

- Options for local governments:
 - The seven national associations collapse into three representing the villages, the cities and the counties. (clear-profile structure of associations)
 - A new associations is formed by the merger of the existing seven associations into a new structure with at least three chambers which the unique perspective of the three types of municipalities can be expressed
 - One of the existing associations (the largest and vertical organization is likely) reshapes itself into an organization that encompasses all the three types of municipalities.
 - Re-focus CLGA to provide “shared services” functions for local government associations of whatever configuration.
- The four strategy-options for USAID/ICMA support come as follows:
 - The current dynamics among the seven associations will unfold into a new configuration. USAID/ICMA should allow it to happen without substantial interference, providing a minimum level of support to CLGA to keep it functioning, thus ensuring the opportunity for them to work out the new arrangements for CLGA.
 - An early merger of the seven into a single national associations is forced by USAID/ICMA support.

- USAID/ICMA provides limited support to selected associations (probably the associations that can become the voice of the three municipal types of interests) in the policy-making area to build the policy-making and advocating capacity.
- USAID/ICMA facilitates the transition in the structure of local government associations by supporting service delivery to members, converting CLGA into a local government resource and service center, in areas like data and information systems, monitoring and convening re public policy, publications, etc.

The report recommends option d) for USAID/ICMA. In accordance with the options, recommended targets, milestones, time frames and resource requirements are listed. It is a comprehensive, well-thought out plan that is based on well interpreted facts of the timely situation and dynamics of the associations, and politics in Hungary.

What helped to produce a “right-on-target” assessment and follow-up recommendations? First and foremost the expertise that the short-term advisor could contribute. From our standpoint his expertise consisted of two major, very important factors: an outstandingly comprehensive knowledge about local governments and their associations, and deep understanding of the CEE region. By the time he undertook this assignment, he had lived in the region for over a year, working closely with local governments and nurturing the very young Bulgarian associations of local governments.

Lessons Learned. A donor project in most cases does not abandon in time. Thus it is recommended to find consultants who have outstanding expertise AND! knowledge of the region in which the technical assistance project takes place. For short-term consultants we think it is obligatory to have knowledge of the region because there is no time to get familiar with the political social environment. If it is impossible to find short-term expert with this kind of background, then time for getting acquainted with the politics, legal environment, laws, regulations, decision making mechanisms, etc. of the host country has to be built in the schedule and the scope of work.

It is likely that to get the best on board is costly but it is still relatively less expensive than spending a lot of funds on correcting goals and objectives and re-focusing strategies in accordance with the new goals later on. By this we do not mean by any chance that strategies do not need re-focusing, corrections during implementation. It is well known that they have to be flexibly adjusted to the changing environment. It is a must for development projects, but if it is the ultimate goal that is a moving target, it is highly unlikely if not impossible to conduct a successful project.

The Issue of Consultants and Expertise in a Technical Assistance Program



It is an absolute must to have a solid understanding of the legislative framework of the host country, and some understanding of history. It is not always possible to find a consultant who has already been immersed in this kind of experience. Therefore a combination of expatriate and local consultants can be highly beneficial. The expatriate consultant's share is to bring innovative ideas, best practices to be harmonized with the local environment. The process of harmonization has to be fostered by local consultants. Involving local experts is an essential part of successful implementation and also indispensable to institutionalize, i.e., make the project viable after USAID assistance becomes history. The right local experts may not be as inexpensive as one would think on the basis of the average income in the host country. When designing an assistance project it needs to be understood that top-notch local experts speaking foreign languages will likely ask for international rates, (especially in CEE where EU integration is "within arm's reach"). Therefore we consider it a mistake to cut back on available funds for experts when adjusting a project budget deemed too high by the donor agency issuing the RFP. The hardship that can be experienced by not having the necessary funds to hire either the right expatriate or local consultants, or even project staff should not be allowed to happen by misjudging the salary needs.

Issues to be Considered When Hiring Local Consultants:

The problem of employer's expenses. These requirements do vary in each recipient country but it is a must to incorporate these expenses in the project budget. (Thus it is also a requirement to know about them before the project budget is prepared and submitted.) In Hungary the minimum that needs to be paid on top of a gross salary is 25 percent Value Added Tax (VAT), and negotiations have to be conducted with the person to be hired how to bear the social security costs (44 percent in 1999) to be paid to the state. This cost is paid by the employer. If some of these expenses are reimbursable to the foreign aid project, these options have to be explored at the very beginning of the project. The US and the Hungarian Government executed a bilateral agreement, which stipulates that VAT, customs, etc. are not to be paid by aid projects, but the implementation strategy has not been worked out in details. TA projects do not have the time, and frankly it is not their responsibility to work out these procedures. It would have been great help if the US embassy had persistently pestered the Hungarian Ministry of Foreign Affairs to produce the necessary ministerial and government resolutions so that donor projects could have easily get reimbursed for expenses that were not obligatory for them to pay.

There are *two more aspects* of the "Maffin report" that have to be highlighted. The first one is schedule. If the reader looks carefully on the "Activity Map" of USAID/ICMA assistance (it is located in the Appendix), it will probably be eye-striking that between the execution of the MOU and the first comprehensive assessment and recommendations more than a year went by. Why? Because it was hard to find the right expert, it was difficult to bring association development in focus within PAP given the very complex nature of the project. Neither of these explanations are acceptable.

Letting a full year go by without designing the strategy for cooperation with CLGA triggered a chronic lack of time towards the end of PAP. Right after signing the MOU the strategic plan of the cooperation and the time schedule should have been prepared. The issue of 1998 being a year of Parliamentary and local election should have been taken into consideration. In CEE every election year means great interruptions, the 4-year cycles are unfortunate but a reality. Every elections are likely to disrupt ongoing projects whether they are donor assisted or locally generated. Having well passed election time now we can state with full confidence that the disruption of local elections in the association arena exceeded a six months period and also changed the dynamics to some extent. This idea is more unfolded in the section discussing the establishment of the new Partnership.

Lessons Learned. When planning a project with elected officials the donor organization should try to achieve the project goals before at least four months before election time. After that the counterparts start focusing on their campaign. Can we blame them? Not very much because in order to make things happen past elections they have to be in office. On the other hand no political body in Hungarian local government is willing to vote about significant long-term issues, like the establishment of a new organization, or major reform of an existing organization when facing elections in a few months. Donor organizations need to try to match their time frame with the recipient organization's schedule. Forcing the donor schedule on the recipient organization is impossible. It is probably more so in Hungary. The Hungarian national nature does not often succumb to being forced.

This comment brings up another area that may be important to donors. Try to learn as much about the people of the host country as possible in order to bridge the cultural gap. Of course no generalizations are valid to all individuals of a nation but can help to find guidelines in choosing methodology.

When conducting the interviews with the representatives of the six associations, one of the questions referred to the methods, techniques that were used. On the average they were considered the right methodology, but one association representative felt "they were irritating some times, because of the "kindergarten-style", which is spelling out every minor detail, which can be figured out using simple logic. These methods work fine in the home environment and they bring success, but the same methods may not be as useful and efficient in another social political environment". Another representative of the same organization thought that USAID/ICMA should have been more forceful, and that the methods used were very tactful completely respecting the autonomy of the recipient parties. Enjoying the benefits of the retrospective standpoint we still think that the best possible methods and techniques were used. If USAID/ICMA had chosen option b) i.e., force an early merger, the project would have failed right at that moment due to the resistance of the associations.



With option b) there is another, moral issue to discuss. Does a donor organization have the right to come in a country and make decisions for the recipients? The answer is no, however sometimes it is hard to define where the line between “making the decision” as opposed to “facilitating the natural progress” lies. There is no recipe in this issue. The most likely resource to get the answer is the recipients. A continuous dialogue, interactive communication process will help us to avoid the mistake of being too aggressive while striving to fulfill our mission and to achieve our goals. The reform process, the development of a country has to be an organic process. Ideas and methods, models and best practices have to appeal to those whose efforts, hard work and ultimately whose resources will implement the change. It is a lengthy process to define what the best solution is since this decision is country-specific, and needs to be made by the ones who will have to live with it. We think that the role of technical assistance is to enhance the processes that are on their way, supported by the local people or to reveal possible options that proved to be useful and efficient in other countries to offer a “menu” to choose from.

The second aspect in connection with the “Maffin report” is *the use of short- and long-term consultants*. If the activity is anticipated to need a long-term advisor either full or part time—and the Hungarian association development project was definitely one of those—it is wise to start working with a person, who will be available for the complete length of the project. In our case it was impossible to hire the first advisor for long term. The long-term resident advisor, Mr. Tim Honey, a former city manager, a former lobbyist of NLC—just to highlight a few areas of his background that made him an asset to the Hungarian association building project, came on board in early August 1997. ICMA tried to make the transition as smooth as possible by allowing the time for the two experts to work together on the detailed action plan that was presented to CLGA in August 1997. However, this change in the ICMA advisory personnel extended the time and doubled up some efforts at the start up phase of the project.

Lessons Learned. Donors should try to get all the long-term advisors at the beginning and keep them involved to the end especially when a lot depends on personal contacts. At ICMA/USAID the local advisor stayed on board from the beginning to the end. This greatly helped the transition from the short-term advisor to the resident advisor.

This brings us back to the issue of working with local professionals. Donors are advised to involve local professionals in the project from the very first day. Local people tend to stay until the end of the project therefore they can provide continuity, they should also be used as the first screen for strategy, concepts, since they have the necessary local knowledge. The more local experts are involved the more chances the donor activities have to target the most needed areas with the right methods and techniques.

The implementation plan recommended to CLGA in late August 1997. Mr. Honey and Mr. Maffin together prepared the implementation plan to the CLGA support project. (It is attached in the Appendix, under the title “Implementation Plan, Memorandum of Understanding, USAID/ICMA/Council of Local Government Association, dated 28 April 1997”)

The implementation plan is in accordance with the above stated approach, i.e., draws heavily upon the workplan of CLGA, the “Programme of the Council of Local Government Associations: Strategy and Action Plan”. It suggests the support of Council activities, which had been set by the Council for the Council. Through the activities chosen for support in the implementation plan the Council could have developed into a effective, self-sustaining organization with strong advocating capacity, and high quality member services. The major activities recommended for support are as follows:

- 1.1 Develop management information systems
- 1.2 Develop and implement operational policies and procedures
- 1.3 Develop and implement CLGA policies and procedures
- 1.4 Develop and implement administrative and technical capacity of CLGA
- 1.5 Define clearly the policy making and ad/management roles and responsibilities of CLGA
- 1.6 Recommend strategic adjustments for CLGA based on examining the local government environment
- 1.7 Develop long-term “development programs”

- 2.1 Develop communications strategy
- 2.2 Obtain CLGA members to be actively involved in CLGA activities
- 2.3 CLGA members commit to building support for CLGA and member associations
- 2.4 CLGA “Web” site

- 3.1 Legislative and regulatory tracking system
- 3.2 Policy bulletin
- 3.3 Capitol Connection Office
- 3.4 Legislative “action network”
- 3.5 Municipal data base for legislative purposes
- 3.6 Policy forums
- 3.7 Policy briefings
- 3.8 Orientational sessions on “how to lobby an affect the legislative process”
- 3.9 Publish a Guidebook on the legislative and regulatory processes in Hungary
- 3.10 Develop policies and procedures for members participation in the legislative and regulatory processes

- 4.1 Serve as a clearinghouse for information on local governments



- 4.2 Develop member surveys on policy issues, etc.
- 4.3 Develop training material focusing upon practical experience
- 4.4 Innovation bulletins
- 4.5 Resource directory of local governments

- 5.1 Assist involvement in international organizations
- 5.2 Assist local governments to meet the EU requirements
- 5.3 Assess the feasibility of a regional approach to information sharing in CEE

We have decided to include the above brief summary in the report because it may serve as a sample of a TA package to a national association of local governments in future projects, even though special circumstances of the Hungarian associations unfortunately prevented it from implementation.

The implementation plan was presented to the representatives of CLGA in Kecskemét. After two days of fierce dispute, the representative of TÖOSZ voted against it. The reasoning sounded very logical: TÖOSZ general assembly had not authorized him to allow parallel development of two organizations of local governments that involve TÖOSZ. (TÖOSZ already had infrastructure and personnel in their Budapest office, and it was not in TÖOSZ interest to finance another office with personnel.)

If we interpret what this vote by TÖOSZ meant we can come to the conclusion now that TÖOSZ saw the structural reorganization of CLGA into a unified association either through developing TÖOSZ into a unified association, or establishing a new unified association in which TÖOSZ plays a major (if not dominant) role. A unified association had been set as a long-term goal for the seven national associations but for 5 years then they had been unable to agree about the institutional structure, and the proportion of representation in the general assembly. On the other hand, TÖOSZ dominance was unacceptable for the other six for two major reasons: TÖOSZ did not have the organizational structure which would have guaranteed the representation of specific interests of the three types of municipalities (it operated and still does without chambers). The other reason lies in the decision-making mechanism of TÖOSZ. According to the bylaws the general secretary, the highest administrative official has to validate, "countersign" all decisions made by the elected officials. As it was mentioned before, it is a highly unusual mechanism in place for democratic decision-making.

At that stage it became clear for all key players that a unified organization had to wait to get established.

Other options for USAID/ICMA? At the Kecskemét discussion USAID/ICMA used the approach of strengthening CLGA by helping the Council to carry out projects that would establish the Council as the efficient advocate for local governments and also a good service provider to its membership, and it would be recognized so by local

governments in Hungary. To build the capacity of CLGA these projects were planned to be funneled through CLGA staff, which immediately raised the need of more staff. However, the largest association vetoed any direct capacity building.

It may have been beneficial in terms of ultimate results if the USAID/ICMA leadership had accepted the individual member associations as implementing partners for CLGA in the individual projects (e.g., advocacy, information systems, newsletter, etc.) This way the headquarters of the individual member associations could have naturally developed into regional offices of CLGA, which was also part of the original plan of CLGA for their long-term institutional development, and then lack of capacity within the Council's Secretariat would not have impeded CLGA development. At the same time the project successes could have increased the reputation of CLGA, could have established the Council as an advocate of local governments interests, and a service provider for local governments.

Technically USAID/ICMA could have executed agreements with the individual member associations, which should have included guarantees that every project was to:

- Involve all members of the seven national associations
- Deposit information about the project goals, strategy, and event calendar at the Secretariat of CLGA, so that the Secretariat was also able to provide information for local government officials interested
- Become known as a project/service of CLGA not that of the implementing member association
- Comply with all USAID/ICMA regulations and report to USAID/ICMA on a monthly basis.

USAID/ICMA could have used the monthly advisory committee meeting to make the strategic decisions together with the representatives of all seven associations. This meeting was part of ICMA strategy and worked well in case of the EU integration project. This project was a representative sample of the strategy described above, which naturally evolved into this kind. (See Section 3.2).

The above approach could have helped the seven associations to achieve close cooperation in a subtle and natural way. It could have developed CLGA regional centers with skilled staff. It would not have helped strengthening the Secretariat of CLGA, and the chances for CLGA to succeed as one organization would have only been slightly increased but by June 1998 when TÖÖSZ declared that it was not in its interest to establish a new umbrella organization of local government associations, which the other 6 associations supported, there would have been a well established



Council, the achievements of which the New Partnership (the new umbrella organization to be set up by six associations), the successor to CLGA could have taken on in a new institutional framework. It would have been a lengthy negotiation process with the association(s) who did not wish to become a member of the New Partnership to come to an agreement about CLGA assets but the concept of efficiently cooperating municipal associations would have been recognized by the local governments in Hungary and the New Partnership being established now would have had a solid background and good reputation among its actual and possible members.

There are two more factors that may have contributed to not being able to make an agreement about the implementation plan at this stage:

- USAID/ICMA did not have a clear figure for the budget. The resource requirement of the implementation plan presented to CLGA amounted up to USD 600,000. At the time of the presentation ICMA could guarantee about USD 300,000. This immediately raised the question where the rest would come? Even though ICMA said PAP finances could be re-structured, it lessened the credibility of the assistance.

Lessons Learned: The financial means available for an activity need to be assessed very carefully beforehand, so that recipient party is convinced that performance and hard work on their behalf is tangibly supported by the donor organization. The success based financing method, which was recommended by USAID/ICMA to CLGA was accepted, and the members felt it was also needed and justified.

- The time pressure that USAID/ICMA was under shortened the “reconciliation” process, i.e., pre-test the implementation plan with the member associations, there was no sufficient interaction with the seven association so that they felt ownership in the strategy and approach. We think it would have made a difference if USAID/ICMA had had wide spread discussions about the recommended projects. An interactive assessment about the implementation plan and the specific projects would have established more personal contacts with the key players, might have persuaded the member associations about the need of certain strategic steps (e.g., increase staff capacity), would have revealed possible hidden agendas, would have allowed USAID/ICMA gain more input from the associations about options, techniques for implementation. (For Example, at the Kecskemét discussion, signals came from the associations that they would welcome the idea to host the projects by individual associations in the “name and fame” of CLGA.) The rush by the donor party in this case resulted in a failure to come to an agreement.

3.2 Phase II (September 1997 – September 1998)

After the rejection of the “Kecskemét plan”, i.e., the implementation plan, discussions with the Council leadership restarted. The long-term resident advisor conducted a new round of highly interactive meetings with the member associations and gained a consensus about six specific projects, none of which had the component of direct capacity building of the Council Secretariat. The president signed the implementation plan and the projects took off. The six projects were as follows:

- Legislative Advocacy
- Enhancement of the Council’s electronic data information system
- European Union
- Training
- Financial Management System
- Unification

Legislative Advocacy

The purpose of the advocacy project was to demonstrate the effectiveness of the Council in advocating for local interests by formulating a unified position before central government. The Council participated in the World Bank’s Subnational Development Program. Unfortunately the Bank moved at a slow pace and into a different direction, thus CLGA could not play a major role in this issue.

However, new skills and techniques of effective advocacy became deeply instilled in the members of the Council, e.g., “the grass roots approach”, pro-active advocacy, etc.

The strategy of USAID/ICMA contained a lot of flexibility while conducting this project, which gave the necessary impulse when the project was getting stuck. (This statement is true to say about the entire technical assistance provided to CLGA.) The long-term expatriate advisor together with the local advisors facilitated the “quest for a new path”. The study tour provided new patterns to choose from. The major impediment was that the Council made the Head of Secretariat responsible for the management of this project. He had no interest in advocacy, and did virtually nothing to assist CLGA in this field. He sometimes did not follow through his assignments. The Council did not know how to hold him accountable. ICMA addressed this issue in connection with the “Unification” project but it was a politically sensitive issue, and the Head of Secretariat used the “consensus rule” in his own interest. It was enough to please one of the associations, which then would veto his replacement. For USAID/ICMA there were no more options in this case.

Lessons Learned: The only way out would have been to set the rule at the very beginning, which would have said that each project had an assigned project manager,



and then the lack of dedication from the head executive could not have handicapped this and some other projects. By the time USAID/ICMA recognized this, it was somewhat late to change the management structure. However it could have been tried. In this issue USAID/ICMA did not respond with the usual flexibility, even though discussions took place, and a draft plan to re-distribute responsibility was prepared, but never implemented.

Electronic Information System

The project aimed at the production of an electronic system which could provide timely and relevant information to local governments, and could also serve as an electronic feedback system for local governments to help CLGA to set Council's priorities and adjust activities to better serve the membership.

This project was the head executive's main interest. In this project he took the initiative and made recommendations how to develop the system further. USAID/ICMA funded data refreshment, and recommended that a "feedback" group should be set up. This group served as the focus group for two ICMA advisors who prepared a business plan for the development of the system after USAID/ICMA technical assistance was over.

The ICMA business plan will be used by the new Partnership to create their electronic information service to the members.

Lessons Learned. Focus groups are an excellent tool to get feedback and input. A local government information system is a critical tool for associations and their members, therefore it is a significant element of association development projects.

EU Accession

This project aimed to establish a solid foundation for the Council to be the voice for local governments on issues pertaining to the European Union with regard to local government. It also provided a platform for local governments to assess what new capacities need to be built within the local governments in order to function efficiently within the EU.

This was the most successful project among the six. What made it so? A dedicated project manager, the timeliness of the issue, and USAID/ICMA advisory and financial support.. The advisory committee nominated a person (the executive director of a member association) to supervise the implementation of the project. Strategic decisions were made by the advisory committee, where majority voting applied instead of CLGA's consensus rule.

Its final product, a book of comprehensive studies on the impact of EU accession on local governments has become part of the Pécs and Szeged university curriculum and is also very popular among local governments in Hungary. (USAID has just supported the publication of the second edition in response to the constant demand from local governments.)

Lessons Learned. The cornerstones of successful projects are owners, dedicated individuals who care and are willing to put time and effort into the project. If these people are contracted and compensated at the right level through the recipient organization, it also helps the institutionalization process of the project. In this case USAID/ICMA was not in the position to contract them through CLGA for two reasons: capacity building within CLGA organizational structure had not been approved by CLGA, (more particularly by TÖÖSZ) and the financial management system was not transparent enough for USAID/ICMA to transfer funds directly to the Council with a safe conscience.

Training

This project was designed to provide direct training for CLGA members, with special focus on negotiating techniques, reaching consensus, MMME (make meetings more effective), tools and techniques of efficient advocacy. On the study tour grass roots, and pro-active advocacy, organizational structure, methods of service delivery and some others was the focus.

Partially the training component serviced directly two other projects: advocacy and unification. The goal was to give CLGA members the necessary skills to manage the development of a new advocacy mechanism, and to make them able to manage the painful and lengthy negotiation process about the structural reorganization of the seven associations. Though CLGA decided to terminate the organization at the end of their term, five associations are currently setting up the new Partnership, which will deeply benefit from the trainings provided for CLGA. The new organization will set a pro-active, grass roots advocacy agenda, and already uses meeting techniques that they adapted from the trainings. However, it is needed to be said that efficient meetings and negotiations are predicated on good techniques AND! mutual trust and respect. The second was missing within CLGA and a training on techniques could not change this mindset, which had been present since the beginning of local governance in Hungary. (The key players of the association environment has been largely the same since 1990. Changes occurred at two organizations at the local elections in October 1998, as it is described above.)

Lessons Learned. Leadership skills training is a good tool to teach methods that the assisted organization can use directly during the cooperation. In situation which are affected by serious conflicts, either personal or professional, training is efficient. However, some cases (including CLGA) need more mediation than training and



success is still not guaranteed since a certain level of cooperation is also required by the mediated parties.

In the area of training six associations MJVSZ, KÖSZ, KÖÖÉSZ, MÖSZ, MÖÖSZ, MFSZ (TÖÖSZ did not want to participate) took the lead in setting up a Foundation for Local Government Training. The mission of the Foundation is to organize and implement training for local government officials, with special regards to elected officials. (Training for elected officials is not an obligatory task of the central government.) The Foundation has conducted a series of successful training for newly elected local government officials.

The Foundation is working on establishing a regional network. The Foundation was legally registered in October 1998. The Swiss government has been the major supporter so far. Their financial stability is a major problem but they are working out a system of market based training courses and are also seeking for grants.

Financial Management System

The focus of this project was the development of a new financial system, which enables the organization to use the budget as a management tool, and is also transparent for the members. The new system also had to meet international auditing requirements in order that CLGA would be able to receive and process funds from international organizations. (At the start up phase of the projects USAID/ICMA was considering the option of direct funding after the necessary human resources and a transparent, auditable financial system was in place.)

This project also lead to success. What were the reasons? A professional Hungarian consulting firm with top-notch experts, who did not give up when the Head of Secretariat was less than cooperative. And also the ICMA consultants who repeated the importance of a transparent financial system at every occasion to CLGA, and persuaded them that finances need to be managed by at least a part time director of finances who reports to the Council of Associations, the major body of CLGA on a regular basis.

The Hungarian firm analyzed the current system and based the new system on international standards, separating project and operating budget, which was not the practice in the old system.

CLGA could not fully implement the system, because of its termination, but it will be adopted by the new Partnership.

Lessons Learned. Before a donor organization transfers funds directly to the assisted organization, the financial management system needs to be audited to ensure that the funds are used for their original purpose. In developing countries, where

conflict of interest is not comprehensively defined, or public procurement procedures are either not yet regulated by law or not entirely re-enforced, it is easy to lose track of funds. In Hungary the legislation has attempted to regulate these areas, it is law enforcement that is not keeping up entirely.

Unification

During this project the seven member associations participated at a facilitated negotiating process, in which they identified possible options for their organizational restructuring.

This project attempted to manage the most sensitive issue, the core problem of the seven associations. As it is described above (Section 2.3(a) and (b)) the Council emerged after five years of attempts and failures to establish institutionalized cooperation, and it took the seven national associations to accept major compromises at the establishment, which later resulted in inefficient operation.

USAID/ICMA facilitated three retreats during 6 months to analyze the pro-s and contra-s of all options. (Options are listed in Section 3.1) Since they were no official CLGA meetings, at the retreats majority voting was the major decision making technique (instead of the obligatory consensus rule for CLGA). It had a major impact, the members experienced efficiency, and it also indicated where the power lines lay among the associations. It is interesting to mention here, that the power lines showed the same division at the retreats along which the new Partnership is being formed now. The current division also follows the philosophical difference of the organizational set up of the association: the two vertical associations chose to follow two individual paths, the horizontal associations decided to establish the Partnership, which allows specific interest representation for the three types of municipalities in Hungary.

During the interviews with association representatives personal conflicts were rated as high as political conflicts when analyzing the causes why CLGA could not turn into a unified association by the end of its term. Some association representatives recommended that a comprehensive personal conflict management training might have been beneficial. USAID/ICMA advisors also considered this option and actually it was built in the study tour curriculum (1998). It also showed results at the end of the study tour, an agreement about a new structure was shaping up in the last days. After the individuals got back into their home environment, the softening conflicts hardened again, and TÖOSZ started to make hints about going on separately beyond December 31, 1998.

Lessons Learned. Technical assistance can influence political decision makers only to a certain extent. When starting a donor assisted project the goals of which are the function of political and personal consensus, the donor needs to accept a limited ability of making an influence. Political schedules of organizations, countries do not



necessarily coincide with that of the donor organization. Donor organizations have to accept that political decisions are not under their control. These decisions take their own course within their own time frame. The donor organization's best interest is to facilitate the process and guide in the desirable direction. If it takes longer than anticipated, or the end structure is different from the original expectations, it still should not be considered a failure of the donor assistance.

In the case of CLGA, the unified association did not emerge by the end of USAID assistance. We still consider the assistance successful, because it helped and speeded up the process, in which the parties weighed options and finally decided that leaping from the structure of seven autonomous national associations to one unified organization was impossible during the term of CLGA.

The idea of the new Partnership was born after TÖOSZ had again vetoed the attempt of the other six associations to reform CLGA in order to make it more efficient in June 1998. In practical terms the reform supported by six associations meant changing the obligatory decision making mechanism, the consensus rule to a combination of consensus requirement and weighed majority and simple majority voting. Areas of annual budget and personnel would have still required consensus in order to make a valid decision, but other areas would have fallen under less strict methods of decision making.

The draft bylaws for the modified Council was prepared and scheduled to discuss and vote upon in the June monthly meeting in Mátraszentimre. This is a significant date because after this meeting CLGA literally became inoperational. The president of the Council lived four hours away from Budapest, which made communication difficult. (In Hungary it is the longest distance from Budapest.) The Head of Secretariat did not feel responsible either for keeping the information flow reasonable or for keeping the Council operational. This way the "Mátraszentimre meeting" represents the diminishing power of CLGA. At this meeting the draft bylaws of the reformed Council never made it to the agenda. Neither did the other draft bylaws prepared by TÖOSZ in response to the recommended reform to the Council, which lay out the bylaws of a unified association based on the TÖOSZ model. The associations using/abusing the consensus rule vetoed to discuss the agenda with these items.

The other area of conflict among the seven was caused by the USAID funds which six associations wanted to submit a proposal for but TÖOSZ again vetoed it.

These two events made six of the seven associations to sign the "Jászberény agreement" in August, which was an MOU about establishing the Partnership. USAID/ICMA decided to support the formation of this new organization, because its mission, goals and objectives came closest to USAID objectives.

Draft bylaws, strategic and business plan, schedule of establishment was prepared in September, which anticipated the start up of the new organization for January 1999.

The local elections interrupted the process by bringing new political leaders on board in MJVSZ and MÖOSZ. The new officials brought new political affiliation (governing party) and the issue of the Partnership was reconsidered and finally approved by five associations. Surprisingly enough the association, MÖSZ which finally decided to become separate from the Partnership in addition to TÖOSZ did not go through any change regarding the political leadership.

The new Partnership has the potential of becoming a democratic and true voice for local governments. Once again time does not “work for us”, the legal establishment of the Partnership and its full speed operation will not be witnessed by USAID from as close as we had the opportunity with CLGA, since USAID is closing down its bilateral office in Hungary in September 1999 but we trust that the new organization will function in an efficient way serving Hungarian local governments, and the draft documents of the Partnership are the guarantee that the five members have learned from the mistakes of CLGA and absorbed the new concepts USAID/ICMA was advocating for.

Lessons Learned. Once again the course of events reinforced that the schedule set for a technical assistance project is not obligatory for the recipients. Matching schedules and time frames of TA projects with milestones anticipated by the recipient organization (e.g., change of the president on the rotary basis, elections, etc.) is an important element of the preparation of strategic plans of TA projects.

The re-alignment of USAID/ICMA strategies and funds were remarkably well done in the case of the CLGA support project.

Study tour (March 27 – April 10, 1998)

The participants were the political and administrative leadership of the seven national associations and CLGA.



The major areas of focus were as follows:

- Improving the advocacy /legislative role of the Council
- Dealing with the issues of organizational restructuring facing the Council
- How to provide services to local government members?
- Role of the political decision makers and the administration

The study tour was a clear success; the impact was tangible. Here we will point out the most important details:

- *Surveying all local governments about their needs.* The associations decided that they would base their new organization on the real needs of the members. They also became dedicated to create a grass roots and proactive advocacy agenda for the new organization based on what they had experienced during the study tour.
- *Committing to further develop the electronic information system*
- *Committing to re-focus the activities of CLGA.* The associations decided they would submit a proposal to USAID for funding Council priorities. This related to USD 250,000 which was then on hold at USAID to assist the emerging organization.

We will quote an ex-study tour participant about the experience to show how the recipients interpreted it: 'The study tour to the US was very useful. It provided the opportunity to see professional municipal associations, to study how they operate, how they reconcile interests, etc. The Hungarian association leaders have already used the techniques learned at the study tour. It is also understood now that a study tour of this kind has a long lasting impact, which cannot be assessed right after the tour. This impact shows in the most different situations. At the founding negotiations of the New Partnership I felt I needed to make this comment: "we need to learn to appreciate the difference, and we also need to learn to be as consistent, persistent and stubborn in finding the common ground for the different local government interests as it is done at NLC". /the president of the Association of Small Villages/

Lessons Learned. A study tour can achieve best results if the content is designed through an interactive assessment with the recipients. In this case the interaction began almost two years before the tour took place. By then it was precisely known where the strengths and weaknesses lay at the Council, thus it was possible to tailor the program for the specific needs of the participants.

3.3 Phase III (October 1998 – March 1999)

Hungary-PAP ended at the worst possible time from the point of view of association development assistance. Recognizing this unfortunate discrepancy USAID was prepared to accept the request for assistance from the forming Partnership, and hired the local advisor who had worked with the associations from the beginning of the project. This phase had to live through the slow down caused by the local elections, but it still could make an impact. It has helped the Partnership to:

- Apply the lessons learned from CLGA to the new organization.
- Establish relationship with the international donor community in Hungary.
- Apply for membership in international and European organizations of local authorities.

The slow movement of the new Partnership has been disappointing, and it might be an indication of the members not giving this issue enough priority. However, at every discussion they reinforce that they see the Partnership as the last chance to prove that cooperation among municipal associations in Hungary is possible, and they all see it as their last chance where “failure is not an option”.

Lessons Learned. As it was mentioned before flexibility of donor assistance is vital to make a long lasting impact and achieve the best possible results.

4. THE NATIONAL ASSOCIATIONS AND PLGA (STATUS REPORT—MAY 1999)

4.1 The Seven National Associations (March 1999)

After the termination of CLGA the seven national associations of local governments exist with undiminished energy. This single statement may make the unguarded Reader think that no changes, no development took place between late 1995 and early 1999. We would like to protect the Reader from making this casual mistake by highlighting some of the changes regarding the seven associations and then by giving a summary about the new formation, the Partnership of Local Government Associations.

In Section 4.1 we do not repeat what is still relevant from Section 2.2 and 2.3(b), but focus on the areas of development, observing the same criteria.

Features of the National Associations

Types of associations. The same division exists as of 1995.



Organizational structure. MJVSZ has introduced a significant change in this respect. The tasks of administration and service delivery have been separated. Earlier both functions were carried out by the administrative/executive body, the Secretariat. The new structure created a separate service delivery section, which is located in Budapest (the headquarters are set up in the city of the president—Miskolc). The new representation has sufficient staff and focuses on increasing the quality of member services, and on establishing a more efficient method of advocacy before central government.

The other significant change took place within TÖÖSZ. After TÖÖSZ declared that they would not become a member in PLGA, a structural reorganization was initiated within the organization. Regional centers are being organized with regional presidents, and discussions are taking place about establishing three divisions based on types of municipalities. The last concept has not yet been approved by the general assembly.

Finances and budget. All the associations manage a larger budget in 1999. The HUF figures show significant increases of their revenues in 4 cases. However, the USD amount will show a more comparable value increase, since we used the exchange rate relevant for the year (USD 1 = HUF 210 for 1995, and USD 1= HUF 230 for 1998 budget).

TÖÖSZ	HUF 48 M ~	USD 208,700
MJVSZ	HUF 22 M ~	USD 95,700
MÖÖSZ	HUF 20 M ~	USD 87,000
KÖÖÉSZ	HUF 10 M ~	USD 43,500
KÖSZ	HUF 5 M ~	USD 21,700
MÖSZ	HUF 6 M ~	USD 26,000
MFSZ	HUF 1.2 M~	USD 5,200

The increase is partially due to gaining more members but the major additional resources derive mostly from grants and international cooperation.

Service delivery. Significant improvement is shown in this area.

Advocacy: The legacy of the Council materializes in this area.

- *Cooperation among the associations:* The five members of the Partnership are dedicated to use a common platform for local government interest representation, to send joint delegates to the national interest reconciliation forums, to strive to create joint policy positions in the annual budgetary negotiations with the central government and other areas. The two associations find ways of advocacy individually.

- *Re-active vs. pro-active approach:* The Partnership has declared that they will establish their own advocacy agenda in addition to responding to the timely issues of local government legislation initiated by the central level. This will take a lot of effort and additional resources are required, therefore we expect that a real pro-active advocacy agenda will be formulated in the second year of their operation.
- TÖOSZ is also improving their system in this respect. Last year they challenged the privatization of gas and electric companies and the proportion of shares distributed to local governments. It was a successful initiative, the size of the property shares allocated to local governments is being revised by the central government and local governments will be compensated. This initiative resulted in the amendment of the relevant law.
- *Sufficient data on local governments:* It is still an area where the associations have to go through significant development, but several units of a comprehensive local government electronic data system exists already sponsored by MJVSZ, MÖOSZ, and private consulting firms. A pending initiative by the seven associations (the only area at the moment where all the seven associations are involved together) is the creation of a comprehensive Internet based system, which would contain important data about structural funds of the European Union and other areas in addition to data about Hungarian local governments. The associations have applied to VNG (the Dutch Association of Cities) for support. This system could incorporate part of the business plan that was prepared to further develop the CLGA information system.
- *Bottom up approach:* This concept became deeply instilled in the leadership of the majority of the associations. MJVSZ, MÖOSZ and KÖSZ already started to have forums involving a significant proportion of the membership in formulating policies. The latest issue to formulate their position is the Subnational Development Plan prepared by World Bank for recommendation to the central government.
- *Central government initiated process:* it still remains a future task of the associations to take over the lead in shaping the interest reconciliation mechanism. Successful actions were taken by CLGA in the interest reconciliation related to the EU accession process. CLGA initiated a regular forum for CLGA representatives and the Ministry of Foreign Affairs to discuss EU related local government issues, and to submit joint positions of local governments on these issues. This was one of the success stories of CLGA advocacy activities. (With the new government this forum will have to be resumed.)



- A legal expert of MÖOSZ wrote an essay which lay out the options for local government interest representation by municipal associations. This essay can serve as the basis to prepare an action plan. The Partnership is ready to undertake this task. However, having seen them operate in the past three years, we suspect that it will take at least 2-3 years to really become the leader of this process.

Member services:

- *Publications:* MÖSZ also started its monthly magazine entitled “The Mayor”. The Foundation for Local Government Training (ÖKA—see Section 3.2 Training) has undertaken the task of preparing training material for newly elected officials, and other publications.
- *Electronic Data System:* It is discussed above under “Sufficient Data on Local Governments”.
- *Legal, financial, management advisory services:* With the new Service Delivery Section of MJVSZ, these services are currently available for the association members. Other associations do not have a separate unit within the associations, these services are mostly provided by the members of relevant standing or temporary committees.
- *Providing on-site assistance by experts:* This area is still hindered by lack of paid experts. The persons who have the necessary expertise are either mayors or full time professionals, the associations do not have the financial resources to hire their own experts.
- *Training:* With the establishment of the Foundation for Local Government Training (ÖKA), training courses have been offered for newly elected officials, and other courses will follow. The Foundation is working on establishing a regional network. Their financial stability is a major problem but they are working out a system of market based training courses and are also seeking for grants.

International relations. During the life of CLGA international relations were extended. Bilateral agreement was executed with the Finnish Association, VNG and some others. CLGA was a member to CEMR. After the termination of CLGA three organizations are applying for membership at CEMR, the Partnership, TÖOSZ and MÖSZ. MÖOSZ and KÖÖÉSZ are the most active associations in this field.

Cooperation among EU applicant countries in CEE has also started. Regional projects targeted at EU accession will play a key role in international relations of the national associations of CEE in the next decade.

Internal and external communication. The channels of internal communication have significantly improved. Except for the Village Association (MFSZ), most members have access to computers. However, the main means for local government officials to gather information is still printed press, and informal channels.

The main means of communication for MJVSZ, MÖOSZ is electronic mail, for KÖSZ and KÖÖÉSZ a combination of e-mail, fax and mail, for MÖSZ, MFSZ and TÖOSZ a combination of mail and fax.

Communication to the media has improved at the central level, press releases from associations are printed from time to time in the national papers, and publicity was given to the associations and their positions on local government issues in a live discussion on the second largest national TV channel.

Rate of participation. All associations have increased their membership, however the increase does not exceed 7 percent on the average, which means the total of about 63 percent.

If we relate the number of new members to individual associations, the most significant increase is observed at TÖOSZ, about 80 percent of the total increase.

Political party affiliation. The proportion of independent mayors has increased at the last election in October 1998. This also contributed to the associations losing overwhelming political infiltrations. However, we cannot claim that the associations are non-partisan now in Hungary. MÖOSZ and MJVSZ are probably the most influenced by politics at this stage, TÖOSZ has the opportunity to grow into the association representing the opposition to central government, MÖSZ seems to be keeping its political affiliation, KÖÖÉSZ has probably reduced the influence of politics, KÖSZ and MFSZ have been the least political organizations.

Impact on the level of civic culture. It is still an area where the association have to become more active. However, more and more discussions focus on this issue, which means that an action plan soon has to follow.

In 1999 it is a prerequisite for municipal associations to help and advice their member local governments in issues of cooperating with organizations of the civil society, of involving citizens in the decision making process, etc.

One tangible action was taken by TÖOSZ, it has modified its bylaws to invite minority local governments to join.



4.2 The Partnership of Local Government Associations (PLGA)

PLGA considers itself the successor of CLGA. However, legal succession is not possible because the two organizations, TÖOSZ and MÖSZ object to it. The five founders are MÖOSZ, MJVSZ, KÖÖÉSZ, KÖSZ, MFSZ, the so called “horizontal associations”.

Mission. The founding agreement says PLGA will undertake the mission of CLGA, which is to become the true voice for local governments in Hungary. The five member associations do not give up the ultimate goal, i.e., to work out the plan to transfer the Partnership into a unified association with three chambers for the representation of the specific interests of the three municipal types. Given the membership, there is no conflict arising from the organizational structure. This increases the chances of the five associations to successfully complete the unification process, however the road is long and bumpy.

Membership. The five horizontal associations, but the organization is open to join for any national associations of local governments who accept the bylaws, will be active member and pay their dues.

Membership terminated if the member association officially announces the intent to withdraw, or no dues payment is made in a six-month period.

Organizational structure. The *General Assembly* consists of the presidents of each member association and 4-4 additional officials delegated by each association for the term of the local government cycle. The assembly meets at least once a year, or on an as needed basis. The general assembly is responsible for the Bylaws and its amendments, decides about the dissolution of the Partnership, defines the membership dues, sets the strategic objectives of the Partnership, defines the budget and approves the annual budget report, elects the elected officials of the Partnership, nominates the Head of Secretariat, approves the Rules of Operation of the partnership, establishes standing committees.

Boards of Presidents is the executive body of the Partnership, it consists of the presidents of the member associations. Other elected officials may substitute for the president at the bimonthly meetings. The Board is responsible for the establishment of temporary committees, it organizes and manages the activities, defines long-term and annual programs and workplan, establishes and manages international relations, delegates representatives to the national reconciliation forums, defines the policy position to be represented by the delegates, etc.

Controlling Committee oversees the financial management of the Partnership, and the execution of resolutions.

Standing committees are mainly responsible to prepare the joint positions on local government issues for approval of the elected body.

The *president* is helped by four *co-presidents*.

The *Secretariat* is responsible for the execution of administrative, coordinative and management tasks.

The scope of responsibility of the appointed and elected officials is clearly segregated. It is an important development if compared to CLGA.

Decision making mechanism. Having learned from the CLGA experience, in addition to the consensus based decisions, the Partnership introduces weighed majority decision making in cases, in which consensus could not be reached.

Finances and budget. The planned financial resources include annual membership dues, support, grants from private persons, other grants, sponsorship from foundations, support from the central budget, revenues from conferences, from entrepreneurial activities, service delivery. Unfortunately the membership dues are not paid on a per capita basis, each association pays the same amount. The financial management will separate the operating and program budget, and will meet international auditing standards (they will use the system that was prepared for CLGA).

Services

- Represent local governments in a unified way
- Prepare and inform local governments for/about EU integration
- Undertake the responsibility of training local government officials, organize and implement training
- Develop an electronic information system for local government
- Provide other services to members

All the above information is based on the freshly prepared bylaws, information about the implementation is not available yet.

5. LESSONS LEARNED

Some lessons learned were already discussed in connection with the three phases of the technical assistance, and the individual projects. For the sake of emphasis, the major points are restated here accompanied with other aspects which have not got into focus so far.



Design phase of an assistance project. Some association representatives felt the project (PAP) might have been designed by people who had limited knowledge about Hungarian public administration and local governance. In this case it is not a justified comment since the people involved in the preparation of the original SOW had extensive theoretical and practical knowledge of Hungary.

However, this comment reinforces our belief that it is a prerequisite for the success and institutionalization of an assistance program, and for lasting reforms to engage the affected local partners in a meaningful, interactive communication from the project design phase. This is the only way to create a program that is demand driven and responsive to the needs of the recipients.

Significance of Flexibility. Prepackaged programs do not apply to a new environment. However, a demand driven, locally designed project still has to maintain its flexible, responsive nature during the full length of the project.

The support provided to CLGA is an excellent example for this. The ultimate goal never changed, i.e., to create a democratic and viable organization which is able to efficiently advocate for local interest, but strategies needed to be changed, new methods had to be introduced, re-allocation of funds was necessary in order to meet the changing needs of CLGA.

Institutionalization—lasting impact. The question “what happens to the activities after the resources of the assistance project do not flow to the recipient organization any more?” is a key issue to every donor organization. We have seen too many flourishing institutions, providing excellent services in the region disappear by the end of the assistance project. USAID wants to make a long lasting impact. We all understand it is no help “to catch the fish and hand it over but how to catch the fish has to be taught”.

The above question has to be kept in mind from the very beginning of the project. It is not enough to make a strategy plan for institutionalization 6 months before the end, this plan has to be in place from the very beginning and it also needs to be acted upon. To develop certain skills (e.g., how to raise funds, management skills) need time and a lot of training to learn. These training needs should be identified at the very start of the project and then systematically carried out.

In case of CLGA the continuation is guaranteed because the majority of the recipient organizations were committed to continue cooperation. However, the new organization is still not exempt from making mistakes. Their financial viability is not as stable as we all would like to see it. If in addition to service delivery the USAID/ICMA project had started to create a fund raising strategy with them, they may have been in a better financial position now.

Normally municipal associations are not advised to seek central funds. However, in a region where local governments are constantly struggling with financial survival, it is highly unlikely that their associations can be well established financially. Therefore in addition to creating partnership with the civil and private society, associations could advocate for a well defined support from the central budget for international membership fees, which are in most cases matched with the standards of developed countries. (ICMA is an exception in this area.)

Continuity, pace of the technical assistance. Slow motion, long pauses in action undermine the enthusiasm of the recipient party and credibility of the donor. Also tangible assistance can speed up the process. In the case of CLGA USAID was not in an easy position, since all offers bounced back due to the lack of cooperation from one of the member associations.

Methods, techniques—cultural gap. The methods of technical assistance are key to success. It is not easy to find the right methodology even if the program implementer and the recipient party are the same nationalities. Consider how this factor becomes more complicated when the cultural gap is added. Models, best practices, methods, techniques that work very efficiently in one country may achieve very different results in another culture. Let a quote give an example to this difference: “The goals were set too directly, too resolute and aggressive—strange in the Hungarian political-social environment. If there had been no excellent personal contacts developed it could have killed the project.” /secretary of the Association of Large Villages. Other opinions did not support this comment, which also tells us that in every issue a broad based discussion is needed so that the donor organization does not respond to a minority opinion or need in ignorance.

However, there are some lessons to draw from the above quote:

- Good personal contacts also play an important role, especially working with organizations like CLGA, which abandoned in conflicts.
- The concept of “acceptance of difference” needs to be applied to the methodology as well. To create the right methodological framework the recipient party needs to produce their own input, needs to participate actively.
- Before the actual activities start in any assistance project, a very broad based, interactive status report/assessment needs to be prepared including—to the extent possible—details like personalities of key players, so that the donor knows pre-history and individuals in addition to the organizational framework.



The role of training in TA projects. When technical assistance is provided in an area where a lot of conflicts are likely to occur or there are areas where the organization lacks skills or experience a series of training could be helpful at the very beginning of the project to lay the background for upcoming activities. In the case of CLGA after the introductory report was prepared an outline of possible conflicts started to shape up, specific training targeted at conflict resolution could have been started. The outcome would still not have been guaranteed but it could have helped to go through the process of negotiation, and a strong organization may have occurred sooner.

The training courses that were provided to CLGA in negotiation techniques, efficient advocacy, etc. had a major impact on the members. The learned techniques, methods have been widely used in the new Partnership, and some of the concepts (grass roots advocacy) are incorporated in the strategic plan of the new Partnership.

Training is also an intrinsic part of the institutionalization process.

Setting clear goals, well-defined benchmarks. Goal setting is a cornerstone of projects. They have to be set as a result of an interactive process with the recipient party, so that each party feels ownership over and responsibility for the activities. Tangible success / rewards are great motivation.

Tangible interim goals/benchmarks are more beneficial and more motivating, e.g., proven success of advocacy in a well defined issue, or statistically proven data about more local governments using the information system of CLGA, etc. The supervision of these tasks can be assigned to experts, and all the successes can further establish the good reputation of the assisted organization, and also help to make people more aware of the benefits of the existence of the organization. In the case of CLGA successful projects helped to some extent to shift people's focus about the Council being only a platform for political fights and personal disputes.

Funds made available on a success oriented basis are also a motivating factor. At completion of the interim goals, benchmarks funds can be made available to take the activities to the next level.

Communication with the recipient organization(s). If the technical assistance is provided to a CLGA type organization it is important to communicate to all members.

In our case the donor organization could have been more active in direct relationship with member associations. More regular discussions with the political leadership of the member associations would have added to their awareness of the goals and possible benefits, it would have provided more opportunities to educate them about methods, techniques of advocacy, best practices, different models of municipal

associations at the member association level. This way while learning about possible options for a large, strong organization the continuous conflicts stiffening the relationship among the members might have counteracted the decision making process of the member associations to a less extent, especially at Phase I.

The issue of responsibility for success. Who is responsible for the success of a TA project? We believe it has to be a joint effort with equal responsibilities on both/all parties. It is easy for a donor organization to shift into the “assuming all responsibility” mode. If responsibility is transferred to individuals within the organizations it is more likely that the individual will push it through his/her organization.

In case of CLGA more communication with the individual players may have had a positive effect but even from a retrospective angle it is hard to judge if the chances for a significantly different outcome would have been a lot higher.

Advisors, Personnel. For long-term projects it is highly recommended to involve the same advisors and personnel for the full length of the project to provide continuity, and help to establish good working and personal relationship with the recipient parties.

It is a prerequisite to find top-notch local experts and involve them in the program. They should be looked at as the cornerstone of successful project implementation. They have the necessary respect for their expertise that increases the credibility of the program, makes it more acceptable to the ultimate recipients, i.e., local government in our case.

Management of programs carried out jointly by donor and recipients. In the case of CLGA assistance it would have been beneficial if USAID/ICMA had based a local consultant at CLGA offices. The person could have helped the understaffed Secretariat with the workload resulting from projects carried out in cooperation with CLGA. The person could have also enhanced the information flow among the members in issues pertaining to the USAID cooperation, and as a side benefit the person could have had direct information about how the Secretariat operated, what the major timely issues were.

Close cooperation is needed, joint management may be necessary, as it was in the case of CLGA.

Donor community. It was a very good initiative on behalf of USAID/ICMA to initiate communication among the donor organizations involved in the same activity (support to CLGA). It was very helpful to coordinate with the Know-How Fund who was the most active supporter of CLGA in addition to USAID/ICMA, and others including EU-Phare, the Swiss Embassy, German Foundations, French-Hungarian Initiative, OSI-LGI, etc.



From the very beginning a donor organization needs to start a dialogue with other donors in order not to make repetitions in ignorance, and also to indicate to the recipient party that there is no rivalry between donors but a joint effort to succeed.



APPENDIX